

REPORT ON EXAMINATION
OF
DELAWARE GRANGE MUTUAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2020

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
DELAWARE GRANGE MUTUAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2020

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 9th day of February, 2022

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January 24, 2022

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 21.032, dated February 22, 2021, an examination has been made of the affairs, financial condition and management of

DELAWARE GRANGE MUTUAL INSURANCE COMPANY

hereinafter referred to as the Company or DGMIC. The Company was incorporated under the laws of the State of Delaware. Due to the COVID-19 Pandemic, the examination was conducted offsite. The administrative and registered office of the Company is located at 9 East Loockerman Street Suite #212, Dover, Delaware 19901. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a single state risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the four-year period from January 1, 2013 through December 31, 2016. This examination covered the four-year period from January 1, 2017 through December 31, 2020.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* §321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was chartered by the Delaware Legislature in 1887. In 1924, a new charter was provided for the Company's perpetual existence. The Company is a property and casualty insurance company organized under the laws of, and domiciled in, the State of Delaware. The Company is licensed to transact business only in the State of Delaware. Business is produced by a network of independent agents throughout Delaware.

Capitalization

DGMIC is a mutual property and casualty insurance company, owned exclusively by the policyholders. The Company is non-stock company and there are no shareholders of the Company.

Dividends

No dividends were paid out during the period under examination.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board of Directors (Board). The authorized number of directors of the corporation is fourteen (14). Each Director is elected for a term of three years. Directors duly elected and serving as of December 31, 2020, are as follows:

<u>Name</u>	<u>Title</u>
Warner J. Clark	Retired - Director
William J. O'Day Jr.	Outside Director
Ronald Martin	City of Newark Administrator
Albert Holmes, Jr.	Insurance Agent for the Company
Melvin Warren	Pfister Insurance Inc. - Agent for the Company

William Lehnert	Retired Marketing Rep Lititz Company, Marketing Rep for Company, Part Time
Paul Davis	Retired – Outside Director
Richard B. Harper Jr.	Retired – Outside Director
Michael Lynch	Retired - Outside Director
Vaughn Webb	Retired -Outside Director
Michael Marasco	Retired – Outside Director
James Correll	Outside Director
Karen Weldin Stewart	Outside Director
Scott W. Carey	Insurance agent for the Company

Committees

The standing Board Committees as of December 31, 2020, were constituted as follows:

Executive Committee:

Warner Clark, Chairman, President
William O'Day, Vice President
Ronald Martin, Treasurer
Members at Large: Albert Holmes, Melvin Warren

Personnel Committee

Paul Davis, Chairman
Melvin Warren
Richard B. Harper

Underwriting/Products

Melvin Warren, Chairman
William Lehnert
Scott W. Carey
Warner J. Clark
Richard B. Harper
Albert Holmes
Michael Marasco

Audit Committee

Michael Lynch, Chairman
Vaughn Webb
James Corell
Karen Weldin Stewart

Officers

The bylaws of the Company state the principal officers shall be a President, a Chairman of the Board, a Treasurer, one or more Vice-Presidents, a Secretary and other officers as the Board from time to time may determine.

As of December 31, 2020, the Company's principal officers and their respective titles were as follows:

<u>Officer Name</u>	<u>Title</u>
Warner J. Clark	President
William J. O'Day	Vice President
Ronald Martin	Treasurer
Janice Mayo	Secretary

Corporate Records

The recorded minutes of the Board and its Committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is not a member of an insurance holding company system.

TERRITORY AND PLAN OF OPERATION

DGMIC is licensed in Delaware only. The Company wants to increase surplus through growth in selected areas. New products during the exam period include a Mobile Homeowner's product and a Business Owners Policy product. The Company has increased its

retention somewhat to facilitate the growth through its reinsurance program. The Company maintains its aggregate protection to limit surplus loss.

Total Net Premiums for the year ended December 31, 2020, were as follows:

<u>Direct Business</u>		<u>% of Total</u>
Fire	\$ 302,004	29.36%
Farmowners Multi Peril	32,917	3.20%
Homeowners Multi Peril	568,530	55.27%
Commercial Multi Peril	82,238	7.99%
Other Liability Occurrence	40,056	3.89%
Boiler and Machinery	2,940	0.29%
Total Direct	<u>\$ 1,028,685</u>	100.00%
<u>Ceded Premium</u>		
Fire	\$ 227,929	30.96%
Farmowners Multi Peril	26,460	3.59%
Homeowners Multiple Peril	397,329	53.97%
Commercial Multi Peril	59,754	8.12%
Other Liability Occurrence	23,288	3.16%
Boiler and Machinery	1,470	0.20%
Total Ceded	<u>\$ 736,230</u>	100.00%

REINSURANCE

As of December 31, 2020, the Company had the following reinsurance programs in place.

Obligatory First Surplus Treaty

Effective January 1, 2010, the Company shall cede to various Reinsurers, and the Reinsurers shall assume, the Company's Surplus Liability on risks covered hereunder, subject to the limits set forth herein. The liability of the Reinsurer shall commence obligatorily and simultaneously with that of the Company. Cessions to this Contract shall be limited to an amount equal to ten times the Company's net retention, per risk. Subject to a minimum net retention of \$40,000 to a maximum retention of \$60,000 per policy.

Hartford Steam Boiler Inspection and Insurance Company (HSB)

Effective August 1, 2017, the Company entered into a multi-line reinsurance agreement with HSB. Under the terms of this agreement, the Company cedes 100% of all losses and liability arising from the following lines listed in the Company's Home Field Advantage program: Business equipment breakdown, farm owner's equipment breakdown, home system breakdowns, employment practices liability, identity recovery and service line failure.

Property Facultative

Effective January 1, 2020, for selected property risks as determined by the Company, the Company shall cede to various Reinsurers, and the Reinsurers shall assume, 100% of the property business in excess of the Company's minimum retention of \$20,000 with a maximum cession of \$400,000.

Casualty XOL

Effective January 1, 2020, the Company shall cede to various Reinsurers, and the Reinsurers shall assume, under an agreement that provides coverage of \$1,080,000 excess of \$20,000 each loss occurrence covering bodily injury and property damage liability, including medical payments.

Aggregate Excess of Loss Reinsurance –All lines

Effective January 1, 2020, the Company shall cede to various Reinsurers, and the Reinsurers shall assume, and be liable in the aggregate in respect of losses occurring during the term of this contract for 95% of the ultimate net loss over and above an initial ultimate net loss equal to 70% of gross net earned premium, subject to a limit of liability to the Reinsurer of 95% of 320% of gross net earned premium. Should the Company's ultimate net loss on losses occurring during the term of this contract exceed, at any time, an amount equal to 70% of gross net earned premium, at the option of the Company, 95% of such excess and 95% of

all additional ultimate net loss on losses occurring thereafter shall be paid by the Reinsurer, subject to the limits of liability as defined above.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2020
- Statement of Liabilities and Surplus as of December 31, 2020
- Statement of Income for the year ended December 31, 2020
- Statement of Capital and Surplus Account for the year ended December 31, 2020
- Reconciliation of Capital and Surplus for the Period December 31, 2016 to December 31, 2020

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2020**

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 100,000	\$ -	\$ 100,000
Preferred Stock	117,170	-	117,170
Common Stock	\$ 1,251,768	-	1,251,768
Cash	92,607	-	92,607
Cash equivalents	<u>109,740</u>	<u>-</u>	<u>109,740</u>
Subtotals, cash and invested assets	<u>1,671,285</u>	<u>-</u>	<u>1,671,285</u>
Uncollected premiums and Agents balances in the course of collection	15,507	38	15,469
Deferred premiums, agents balances and installments booked but deferred and not yet due	28,135		28,135
Amounts recoverable from reinsurers	88,124		88,124
Current Federal and Foreign income tax recoverable	22,448		22,448
Aggregate write-ins for other than invested assets	<u>4,340</u>	<u>4,340</u>	<u>-</u>
Total Assets	<u>\$ 1,829,839</u>	<u>\$ 4,378</u>	<u>\$ 1,825,461</u>

**DELAWARE GREANGE MUTUAL INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2020**

		<u>Note</u>
Losses	\$ 33,929	1
Loss adjustment expenses	16,492	1
Commissions payable; contingent commissions and other similar charges	34,130	
Other expenses (excluding taxes; licenses and fees)	28,000	
Taxes, licenses, and fees (excluding federal and foreign income tax)	1,604	
Net deferred tax liability	13,819	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$0 and including warranty reserves of \$0)	211,028	
Advance Premium	14,627	
Dividends declared and unpaid: Policyholders	-	
Ceded reinsurance premiums payable (net of ceding commissions)	(53,725)	
Amounts withheld or retained by company for account of others	31,414	
Total liabilities	<u>\$ 331,318</u>	
Unassigned funds (surplus)	<u>1,494,143</u>	
Surplus as regards policyholders	<u>1,494,143</u>	
Totals of liabilities & surplus	<u><u>\$ 1,825,461</u></u>	

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020**

Underwriting Income	
Premiums earned	\$ 218,829
Deductions	
Losses incurred	\$ 119,244
Loss adjustment expenses incurred	82,443
Other underwriting expenses incurred	120,866
Total underwriting deductions	<u>\$ 322,553</u>
Net underwriting gain (loss)	<u>\$ (103,724)</u>
Investment Income	
Net investment income earned	\$ 34,701
Net realized capital gains (losses) less capital gains tax of \$2,897	10,898
Net investment gain (loss)	<u>\$ 45,599</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$389)	\$ 389
Finance and service charges not included in premium	1,520
Aggregate write-ins for miscellaneous income	-
Total other income	<u>\$ 1,909</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ (56,216)</u>
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ (56,216)</u>
Federal and foreign income taxes incurred	<u>(9,553)</u>
Net Income	<u><u>\$ (46,663)</u></u>

**DELAWARE GRANGE INSURANCE COMPANY
CAPITAL & SURPLUS ACCOUNT
AS OF DECEMBER 31, 2020**

Surplus as regards to policyholders; December 31, 2019	\$ 1,499,213
Net income	(46,663)
Change in net unrealized capital gains (losses) less capital gains tax of \$10,886	40,954
Change in net deferred income tax	4,987
Change in nonadmitted assets	(4,348)
Net change in capital and surplus for the year	<u>\$ (5,070)</u>
Surplus as regards policyholders; December 31, 2020	<u><u>\$ 1,494,143</u></u>

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
DECEMBER 31, 2016 THRU DECEMBER 31, 2020**

	Common Stock	Gross Paid In Capital	Unassigned surplus	Total
12/31/2016	\$ -	\$ -	\$ 1,321,594	1,321,594
12/31/2017			56,764 (1)	1,378,358
12/31/2017			32,923 (2)	1,411,281
12/31/2018			(21,760) (1)	1,389,521
12/31/2018			(72,922) (2)	1,316,599
12/31/2019			70,048 (1)	1,386,647
12/31/2019			112,566 (2)	1,499,213
12/30/2020			(46,663) (1)	1,452,550
12/31/2020			41,593 (2)	1,540,806
Ending Balance	\$ -	\$ -	\$ 1,494,143	1,494,143

(1) Represents net income (loss)

(2) Change in non-admitted assets, change in unrealized gain (loss), Change in net deferred tax

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM
THE EXAMINATION**

There were no changes made to the financial Statements as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

<u>Losses</u>	<u>\$33,929</u>
<u>Loss Adjustment Expenses</u>	<u>\$16,492</u>

The examination liability for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2020. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with General Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55.

SUBSEQUENT EVENTS

There were no significant subsequent events.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There was one recommendation contained in the prior examination report issued by the Department as of December 31, 2016.

It was recommended that the Company comply with 18 Del. C. §1305(3)©” Diversification”.

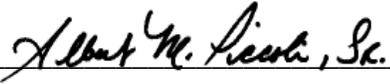
The Company has complied with this recommendation.

SUMMARY OF RECOMMENDATIONS

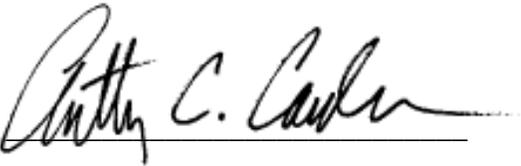
There were no recommendations as a result of this examination.

The assistance and cooperation of the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Albert M. Piccoli, Sr., CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

I, Albert Piccoli, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 21.032.

A handwritten signature in black ink, reading "Albert M. Piccoli, Sr.", written over a horizontal line.

Albert M. Piccoli, Sr., ACI, CFE